



Time to jump in the Lake? A veteran's five key tips to survival as a junior

Rob Annells draws on 47 years' experience in stockbroking and the listed junior sector.



HEY are not handing out free scrip in resource stocks in Collins Street. Not yet anyway. So on that basis, Garimpeiro intends to keep searching for juniors with a good story to tell and the right sort of people running them.

But as last week's meltdown in equities and commodities tells you, it's going to be some time before any confidence returns to the broader market, let alone the local junior resource sector. For many at the junior end, it is about survival.

This is why Garimpeiro sought advice for the juniors from former May & Mellor stockbroker cum oil and gas man Rob Annells. He is executive chairman of Lakes Oil, the oldest Australian oil and gas explorer still operating in the country.

After more than 60 years in the game, Lakes has yet to make a commercial discovery. But its enthusiasm for the hunt is as strong as ever, as is the support of its 9600 shareholders, who between them hold 4.2 billion shares.

On Friday, Lakes went against the trend and closed one-tenth of a cent higher at 0.5¢ each (\$21 million market capitalisation), a 25% gain if you don't mind. More on that later.

Annells has five survival tips for juniors, all drawn from

47 years' experience in stockbroking and the listed junior sector. The first is to work hard on developing a loyal shareholder base.

"Never forget shareholders own the company," the Collins Street sage says.

That means frequent shareholder communication. In particular, Annells reckons it can't be overstated how important it is to send hard copy annual reports to shareholders. Unfashionable perhaps, but according to Annells it's a big deal for a lot of them. This is from a man who was able to pull in \$5.2 million from a recent shareholders purchase plan.

Point two is raise money when you can. But pin it to a good story. "Keep the project ideas coming forward on an ongoing basis and reload the cash kitty when you can," Annells says. As it is, Lakes is sitting pretty, thanks to a cash balance of more than \$7.5 million.

Point three is to keep head office costs to a minimum by sharing with like-minded juniors.

"A Collins Street address is OK, but the cost of things like front of office, boardrooms, computer systems, company secretaries and financial controllers should be shared," Annells says.

Point four from Annells is

again unfashionable — reward and give good staff incentives with options. More important than that though, keep them in the loop.

Point five from Annells would be unpopular with the latte set — when spending shareholders' funds on drilling, make sure it is money well spent by camping out with the drilling crews.

And if you're working in someone else's backyard, talk to them. The importance of good community relations cannot be overstated, Annells says.

So there it is, a five-point survival plan.

But what of the kick in Lakes' share price on Friday? It is known that the Hong Kong investment group that owns the undeveloped Golden Beach gas field offshore the town of the same name in Gippsland has been looking for a buyer.

Lakes' dominance of the onshore Gippsland Basin would make it an obvious buyer. The near-term development potential of Golden Beach (it is within the 4.8-kilometre state waters line) with the longer-term potential of Lakes' onshore "tight" gas play at Wombat near Seaspray and elsewhere would make an interesting combination.

After more than 60 years in the business, Lakes' time in the sun might just have arrived.